

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

ROCKWOOD HOUSING COMMISSION

Financial Statements

March 31, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
Rockwood Housing Commission
32409 Fort Street
Rockwood, Michigan 48173

Independent Auditor's Report

I have audited the financial statements of the Rockwood Housing Commission Business Type Activities as of and for the year ended March 31, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockwood Housing Commission as of March 31, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 27, 2007, on my consideration of the Rockwood Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Required Supplemental Information

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

October 27, 2007

**Rockwood Housing Commission
Management, Discussion & Analysis (Unaudited)
For Fiscal Year Ending March 31, 2007**

The purpose of this MD & A is to serve as a basic tool for reading and understanding the financial statements of the Housing Commission. The information presented here should be viewed in conjunction with the Commission's financial statements. The Housing Commission's books are reported using the full accrual method, which means that all revenues and expenses are taken into account regardless of when cash is received and/or paid out. The programs are funded directly by the United States Department of Housing and Urban Development.

The following summarizes the two programs that the Rockwood Housing Commission operates on a daily basis.

Low Rent Public Housing

The Housing Commission completed its development in 1970 and currently owns 51 units that are provided to elderly/disabled and low-income individuals. The Commission is responsible for management, maintenance, utilities and various other tasks associated with operating the project. Each year, the Housing Commission applies for Operating Subsidy, which is funded at a level determined by HUD. In addition to tenant revenue, interest income and other miscellaneous income, the subsidy is used to provide safe and affordable housing to residents.

Capital Fund

The Housing Commission is awarded this grant each year, based on HUD's available funding. It is used to for physical improvement of the property and surrounding landscape. It may also be used for equipment such as dwelling equipment, office, maintenance and community room equipment. PHA's also have the option of drawing down funds in a line item called Operations.

Financial Highlights

- Net Assets for the entire Commission were \$811,119 at March 31, 2007 compared to \$821,595 at March 31, 2006.
- The Commission's operating revenues totaled \$275,500 for March 31, 2007 and \$315,827 for March 31, 2006, while operating expenses totaled \$201,717 for March 31, 2007 and \$199,239 for March 31, 2006.

Reporting the Commission as a Whole

One of the questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets and Statement of Revenues, Expenses and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. Over time, increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

The financial statements included in this report are those of a non-profit enterprise fund engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports on the Commission's current financial resources with capital and other assets and long-term debt obligations and other liabilities.
- Statement of Revenues, Expenses and Changes in Fund Net Assets-reports the Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Capital Assets

Statement of Net Assets

Assets	2007	2006	Change
Cash/Investments	197,114	183,882	13,232
Other Current Assets	6,729	9,005	889
Capital Assets, Net	644,285	668,878	-24,593
Total Assets	848,128	861,765	-13,637
Liabilities			
Accounts Payable	7,974	14,351	-6,377
A/P-Other Gov't	10,275	9,430	845
Other Current Liabilities	17,443	15,508	1,935
NonCurrent Liab.	1,317	881	436
Total Liabilities	37,009	40,170	-3,161
Net Assets			
Invested in Capital Assets	644,285	668,878	-24,593
Unrestricted Net Assets	166,834	152,717	14,117
Total Net Assets	851,293	861,765	-10,476

Total Assets for FYE 2007 total \$851,293, which is \$10,472 less than FYE 2006. Total Liabilities for FYE 2007 total \$37,009, which is \$3161 less than FYE 2006.

Net Assets decreased \$10,476 from 2006 to 2007 due mainly to depreciation on capital assets.

The increase in Unrestricted Net Assets is mainly due to increases in tenant and operating grant revenue and also interest income. In general, the Unrestricted Net Assets are used to fund operations of the Housing Commission.

The increase in cash and investments is because the PHA's revenue increased by 10% and expenses only increased by 2%. The decrease in accounts payable is because there was a \$4500 payable for CFP in 2006 that the PHA did not have in 2007. The increase in other current liabilities is due to excess CFP funding received.

Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Opr Revenues</u>	2007	2006	Change
Tenant Revenue	159,166	151,770	7,396
Opr Grants/Subsidy	54,571	44,371	10,200
Misc Revenue	3,491	1,397	2,094
Total Operating Revenues	217,228	197,538	19,690
Opr Expenses			
Administration	66,303	65,372	931
Tenant Services	551	226	325
Utilities	45,868	46,302	-434
Maintenance	64,701	65,019	-318
General	24,294	22,320	1,974
Depreciation	82,706	79,203	3,503
Extr Maint/Cas Losses	1,553	3,105	-1,552
Total Expenses	285,976	281,547	4,429
Opr Income/(Loss)	-68,748	-84,009	15,261
Nonoperating Revenues			
Interest Income	6,551	4,073	2,478
Loss-Sale of Assets	0	-222	222
Income (Loss) before contributions/transfers	-62,197	-80,158	17,961
Capital Grants	51,721	113,898	-62,177
Change in Net Assets	-10,476	33,740	-44,216
Total Assets-Beginning	821,595		33,740
		787,855	
Total Assets-Ending	811,119	821,595	-10,476

The total increase in revenue is approximately 10% and is due to increases in all areas of revenue. The PHA did not lease more units but had more tenants with higher average rents. The subsidy increased as this PHA was a gainer and not a loser under the new formula for calculation of operating subsidy. The total increase in operating expenses is only 2% with increases in administration, tenant services, general expenses and depreciation.

There were decreases in maintenance, utilities and extraordinary

maintenance. The increase in general expense is due a higher PILOT because of the increase in tenant rents and decrease in utilities.

Statement of Capital Activity

	<u>2007</u>	<u>2006</u>
Land & Improvements	248,168	248,168
Bldg & Improvements	<u>1,730,988</u>	<u>1,674,309</u>
Equipment	79,886	79,886
Construction in Progress	<u>2,474</u>	<u>1,040</u>
Total		
Less: Accum Depn	<u>-1,417,231</u>	<u>-1,334,525</u>
Net Capital Assets	<u>644,285</u>	<u>668,878</u>

The Commission invested \$58,413 in capital assets during the year ended March 31, 2007 with \$56,501 of that total through Capital Fund expenditures.

Contacting The Commission's Financial Management

This report was written to provide readers with a general overview of the Commission's finances and the manner in which it spends the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Janet D. Dallwig, at 32409 Fort Street Rockwood, MI 48173. The phone number is (734) 379-9700.

ROCKWOOD HOUSING COMMISSION
Statement of Net Assets
March 31, 2007

ASSETS

C-3026

CURRENT ASSETS

Cash	\$	92,710	
Accounts Receivable- Tenants (Net of Allowance of \$ 285)		194	
Accrued Interest Receivable		75	
Investments		104,404	
Prepaid Expenses		<u>6,460</u>	
Total Current Assets	\$		203,843

NON CURRENT ASSETS

Land	\$	36,763	
Buildings		1,730,989	
Furniture, Equipment- Dwellings		30,735	
Furniture, Equipment- Administrative		49,151	
Construction in Progress		2,474	
Leasehold Improvements		211,404	
Accumulated Depreciation		<u>(1,417,231)</u>	
Total Non Current Assets			<u>644,285</u>

TOTAL ASSETS

\$ 848,128

ROCKWOOD HOUSING COMMISSION
Statement of Net Assets
March 31, 2007

C-3026

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	7,974	
Accrued Wages & Payroll Taxes		1,054	
Accounts Payable-Other Governments		10,275	
Tenants Security Deposit		13,018	
Deferred Revenue		<u>3,371</u>	
<u>Total Current Liabilities</u>	\$		35,692

NON CURRENT LIABILITIES

Accrued Compensated Absences		<u>1,317</u>	
<u>Total Liabilities</u>	\$		37,009

NET ASSETS:

Contributed Capital	\$	644,285	
Unrestricted Net Assets		<u>166,834</u>	
<u>Total Net Assets</u>	\$		<u>811,119</u>
<u>TOTAL LIABILITIES & NET ASSETS</u>	\$		<u>848,128</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

ROCKWOOD HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended March 31, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 158,236	
Tenant Revenue-Other	930	
HUD Grants	54,571	
Interest Income	6,551	
Other Income	<u>3,491</u>	
<u>Total Operating Revenue</u>		\$ 223,779

OPERATING EXPENSES

Administrative	\$ 66,303	
Tenant Services	551	
Utility Expenses	45,868	
Ordinary Maintenance	64,701	
General Expenses	24,294	
Depreciation Expense	<u>82,706</u>	
<u>Total Operating Expenses</u>		<u>284,423</u>
<u>Operating Income (Loss)</u>		\$ (60,644)

NONOPERATING REVENUE (EXPENSES)

Extra Ordinary Maintenance		<u>(1,553)</u>
<u>Income (Loss) before Contributions</u>		\$ (62,197)

CAPITAL CONTRIBUTIONS

		<u>51,721</u>
<u>Changes in Net Assets</u>		\$ (10,476)
Total Net Assets- Beginning		<u>821,595</u>
Total Net Assets- Ending		\$ <u>811,119</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROCKWOOD HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended March 31, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 159,223
Payments to Suppliers	(118,696)
Payments to Employees	(69,532)
HUD Grants	106,292
Other Receipts (Payments)	<u>10,042</u>
Net Cash Provided (Used) by Operating Activities	\$ 87,329

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(58,113)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 29,216
Balance- Beginning of Year	<u>63,494</u>
Balance- End of Year	\$ <u>92,710</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (10,476)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	82,706
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	4,858
Investments	15,984
Prepaid Expenses	(2,582)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(6,377)
Accrued Liabilities	(40)
Accrued Compensated Absences	142
Security Deposits	(1,133)
Accounts Payable- Other Governments	845
Deferred Revenue	<u>3,402</u>
Net Cash Provided by Operating Activities	\$ <u>87,329</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROCKWOOD HOUSING COMMISSION
Notes to Financial Statements
March 31, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Rockwood Housing Commission, Rockwood, Michigan, (Commission) was created by ordinance of the city of Rockwood. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 81-1	Low rent program	51 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exit.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided no conflicts exist with the Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Financial Data Schedule.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ 4,937
Petty Cash	100
Money Market Account	<u>87,673</u>
Financial Statement Total	<u>\$ 92,710</u>

Notes to Financial Statements- continued

Investments:

Certificates of Deposit \$ 104,404

Generally the Department classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Department's name.
- 2) Uninsured or unregistered, held by a broker in the Department's name.
- 3) Uninsured or unregistered, held by a broker not in the Department's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 4,937	\$	\$	\$ 4,937	\$ 4,937
Money Market	87,673			87,673	87,673
Petty Cash	<u>100</u>	<u></u>	<u></u>	<u>100</u>	<u>100</u>
Total Cash	\$ <u>92,710</u>	\$ <u></u>	\$ <u></u>	\$ <u>92,710</u>	\$ <u>92,710</u>

Investments:

C/D's \$ 104,404 \$ \$ \$ 104,404 \$ 104,404

In addition to the above analysis, the Department has adopted an investment policy as required by P.A. 20 of 1943, as amended by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Prepaid Expenses.

Prepaid expenses consist of the following:

Prepaid Insurance \$ 6,460

Footnotes to Financial Statements- continued

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 36,763	\$	\$	\$ 36,763
Buildings	1,674,310	56,679		1,730,989
Furniture & Equipment-Dwellings	30,735			30,735
Furniture & Equipment-Admin	49,151			49,151
Leasehold Improvements	0	211,404		211,404
Construction in Progress	<u>212,444</u>		<u>209,970</u>	<u>2,474</u>
	\$ 2,003,403	\$ 268,083	\$ 209,970	\$ 2,061,516
Less Accumulated Depreciation	<u>1,334,525</u>	<u>82,706</u>		<u>1,417,231</u>
	<u>\$ 668,878</u>	<u>\$ 185,377</u>	<u>\$ 209,970</u>	<u>\$ 644,285</u>

Note 5: Other Post Employment Benefits.

The Commission provides a nonqualified Section 457 plan available only to employees of State and Local governments. Distributions cannot be made before the calendar year in which (1) the plan participant attains age 70 1/2, or (2) the plan participant separates from the service of the employer, except in the case of a hardship distribution. Required minimum distributions generally must be made in the same manner as for qualified plans.

The following disclosures are required by Governmental Accounting Standards Board (GASB) statement 32.

Beginning Plan Assets	\$ 113,083
Contributions	2,520
Investment Income net of service fees	<u>1,112</u>
Ending Plan Assets	<u>\$ 116,715</u>

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Notes to Financial Statements- continued

Note 8: Risk Management

The Department is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Department purchases commercial insurance to cover the risks of these losses. The Department had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 4,069,250
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Policy	10,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

Note 9: Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Rockwood Housing Commission

31-Mar-07

MI-081

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	79,692	-	79,692
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restricted			-
114	Cash - tenant security deposit	13,018	-	13,018
100	Total cash	92,710	-	92,710
	Accounts and notes receivables			
121	Accounts receivable - PHA project	-	-	-
122	Accounts receivable - HUD other project		-	-
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable- tenants - dwelling rent	479		479
126.1	Allowance for doubtful accounts - dwelling rent	(285)		(285)
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable	75		75
120	Total receivables, net of allowances for doubtful account	269	-	269
	Current investments			-
131	Investments - unrestricted	104,404		104,404
132	Investments - restricted			-
142	Prepaid expenses and other asset	6,460	-	6,460
143	Inventories	-	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	-	3,165	3,165
146	Amounts to be provided			-
150	TOTAL CURRENT ASSETS	203,843	3,165	207,008
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	36,763	-	36,763
162	Buildings	1,662,008	68,981	1,730,989
163	Furniture, equipment & machinery - dwelling	30,735	-	30,735
164	Furniture, equipment & machinery - administrative	49,151	-	49,151
165	Leasehold improvement	211,404	-	211,404
166	Accumulated depreciation	(1,414,221)	(3,010)	(1,417,231)
167	Construction in Progress	-	2,474	2,474
160	Total fixed assets, net of accumulated depreciatio	575,840	68,445	644,285
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	575,840	68,445	644,285
190	TOTAL ASSETS	779,683	71,610	851,293

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	7,974	-	7,974
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	1,054	-	1,054
322	Accrued compensated absence	-	-	-
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	10,275	-	10,275
341	Tenant security deposits	13,018	-	13,018
342	Deferred revenues	206	3,165	3,371
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	-		-
346	Accrued liabilities - other	-		-
347	Inter-program - due to	3,165	-	3,165
310	TOTAL CURRENT LIABILITIES	35,692	3,165	38,857
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing	-	-	-
353	Noncurrent liabilities- other	-		-
354	Accrued Compensated Absences-Non Current	1,317		1,317
350	TOTAL NONCURRENT LIABILITIES	1,317	-	1,317
300	TOTAL LIABILITIES	37,009	3,165	40,174
	EQUITY:			
501	Investment in general fixed asset	-		-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantee	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	575,840	68,445	644,285
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	166,834		166,834
513	TOTAL EQUITY	742,674	68,445	811,119
600	TOTAL LIABILITIES AND EQUITY	779,683	71,610	851,293

- - -

Rockwood Housing Commission

31-Mar-07

MI-081

Line Item #	Combining Income Statement	MI-081		
		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
	REVENUE:			
703	Net tenant rental revenue	158,236		158,236
704	Tenant revenue - other	930	-	930
705	Total tenant revenue	159,166	-	159,166
706	HUD PHA grants	54,571	51,721	106,292
708	Other government grants			-
711	Investment income - unrestricted	6,551	-	6,551
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	3,491		3,491
716	Gain or loss on the sale of fixed assets	-		-
720	Investment income - restricted			-
700	TOTAL REVENUE	223,779	51,721	275,500
	EXPENSES:			
	Administrative			
		-		
911	Administrative Salaries	40,060	-	40,060
912	Auditing Fees	2,450		2,450
913	Outside management fees			-
914	Compensated absences	143		143
915	Employee benefit contributions-administrative	10,357	-	10,357
916	Other operating administrative	13,293	-	13,293
	Tenant services			
		-		
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant services	-	-	-
924	Tenant services - other	551	-	551
	Utilities			
		-		
931	Water	9,852	-	9,852
932	Electricity	32,986	-	32,986
933	Gas	3,030	-	3,030
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	29,472	-	29,472
942	Ordinary maintenance and operations - materials & other	6,168	-	6,168
943	Ordinary maintenance and operations - contract costs	19,506	-	19,506
945	Employee benefit contributions- ordinary maintenance	9,555	-	9,555
	Protective services			
951	Protective services - labor			-

ROCKWOOD HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2007

The prior audit of the Rockwood Housing Commission for the period ended March 31, 2006, did not contain any audit findings

ROCKWOOD HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2007

I have audited the financial statements of the Rockwood Housing Commission of Rockwood, Michigan, as of and for the year ended March 31, 2007, and have issued my report thereon dated October 27, 2007. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, see the findings and questioned cost within this report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weakness.

This report is intended for the information of management, the Board of Commissioners, and federal and state funding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
October 27, 2007

ROCKWOOD HOUSING COMMISSION
Report on Compliance Applicable to
Non Major HUD Program
March 31, 2007

I have audited the financial statements of Rockwood Housing Commission, Rockwood Michigan, as of and for the year ended March 31, 2007, and have issued my report dated October 27, 2007.

In connection with my audit and with my consideration of the Commission's internal control used to administer HUD grants, I selected certain transactions applicable to the non-major HUD programs for the year ended March 31, 2007; I performed auditing procedures to test compliance with the requirements governing the Commission's grants. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Commission's compliance with those requirements. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow the specific requirements referred to above that caused me to conclude that the misstatements resulting from those failures are material to the Commission's grants. I did discover some instances in the controls that require disclosure, see the findings and questioned cost within this report.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Hemlock, Michigan
October 27, 2007

ROCKWOOD HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2007

1) Summary of Auditor's Results:

Programs:

	Major Program	Non Major Program
Low income Public Housing		X
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
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Reportable condition(s) noted	_____ Yes	_____ X _____ No
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Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
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Report on compliance for Federal programs-

Qualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
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Reportable condition(s) noted	_____ X _____ Yes	_____ No
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Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
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Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

Name of Federal Program	Major Program	Questioned Costs	Audit Finding Number
Low Rent Program	No	None	07-1
Capital Fund Project	No	None	None

ROCKWOOD HOUSING COMMISSION
Schedule of Findings
March 31, 2007

The following finding of the Rockwood Housing Commission, for the year ended March 31, 2007, were discussed with the Executive Director, Ms. Janet Dallwig, in an exit interview conducted September 17, 2007.

Finding 1: Segregation of Duties, Cash Receipts

A significant control deficiency exists with the internal control over cash. SAS 112 requires either a segregation of duties or compensating controls to minimize the impact of the deficiency.

Recommendation

Most smaller organizations have a segregation of duties problem due to the size of the staff, however, compensating controls could be imposed to minimize the impact of the lack of segregation of duties.

The Rockwood Housing Commission staff consists of a full time director and a maintenance person; the director collects all payments, prepares the deposit, and takes the deposit to the bank. Since the director collects and deposits all cash payments, a lack of segregation of duties over cash payments exists.

Due to the size of the organization, no segregation of duties over cash payments is possible; however, the Commission could consider going to a non cash position, thereby mitigating the control deficiency. I recommend the Commission consider going to a no cash policy.

Reply

We will consider the auditor's recommendation, however, believe it is an imposition to the seniors.